

OACAO - 2007 PROVINCIAL CONFERENCE

Raising funds to Support Operating Costs

David L Cuthbert, CFRE, FSAIF

1. What is fundraising?:

It is giving people the opportunity to give. Fundraising is not an end in itself but rather the process whereby resources are transferred from those who are able to give to those who have the need to receive. Fundraisers facilitate this process. They are the enablers of an activity that not only satisfies the need, but also satisfies the giver that the resources have been wisely and effectively used. So:

- Fundraising is NOT begging.
- Fundraising is people helping people.
- Fundraising is giving people the opportunity to give.
- Fundraising is ASKING.

It is important to grasp a number of basic principles that must be applied if you are to be successful in fundraising over the long-term. These are:

- Successful fundraising is all about building relationships with donors - whether they be individuals or major corporations. It has nothing to do with begging for money. Friend-raising and fundraising go hand-in-hand.
- 73% of all giving comes from individuals in Canada, so you have to pay serious attention to develop funding from individuals.
- Leadership in fundraising starts with your governing body. If the governing body does not take an active interest in the planning and implementation of fundraising activities, it has lost control of the organization and its resources.
- Effective long-term fundraising has to be planned. Every NPO that is serious about its funding future has to have an organization plan and a fundraising strategy. You cannot raise funds if you are not confident and enthusiastic about the organization and its future.
- Fundraising is an emerging profession. No longer can you afford to be casual about fundraising. Those organizations that apply a planned, businesslike approach to the task will succeed, and they will develop the capacity and skills of staff and volunteers to get the job done effectively and efficiently.
- Fundraising is as important to the structure of an NPO as its service program or its administration and finance.

The servant of doing good: Fundraising has passed through various stages of evolution. Its earliest form was *begging*, where needy people and groups would implore more fortunate people for money and goods. Beggars perfected many techniques to gain the attention and sympathy of their target audience, such as simulating pain or blindness, or displaying their children with bloated tummies. The next stage consisted of *collections*, where churches, clubs and other organizations would regularly collect contributions from a willing and defined group of supporters. In recent times, *campaigning* has emerged. This has involved organizations appointing a specific person or group with the responsibility for the soliciting of money from every possible sources in a systematic fundraising campaign. Most recently, fundraising has emerged as *development*, whereby the organization systematically builds up different classes of loyal donors who give consistently and receive satisfactions or benefits in the process of giving.

A definition of fundraising is not unlike a definition of marketing. It might read: *"The creation and assessment of public awareness to (human) need, and the co-ordination of resources of service, finance and fundraising programs to deal effectively with that need at minimum cost, to the satisfaction of the donor."*

"Fundraising has been the servant of philanthropy across the ages. Through the procession of the centuries, the thesis that people want to give and they have a need to give has been established. People want to give to causes that serve the entire gamut of human and societal needs." (Rosso 1991:7)

"The most rewarding use of life is to spend it for something that will outlast it. Within this framework the spirit of giving takes on a timeless dimension. As long as humans exist we will want to express our ideals and values in a way that will make them immortal. Fundraisers have the privilege of being part of something that is one of the most personal, fulfilling and meaningful enterprises." (Cuthbert 1992)

Philanthropy: The word "philanthropy" which entered the English language in the 17th century from the Greek (*philanthropia* - "The love of mankind"), has been used to describe many ethical and religious systems, movements of thought, and social situations. It has been associated with charity, civic spirit, humanitarianism, social control and social work. Little has been researched or written on the past, present and future of giving, or of "philanthropy". But it is a powerful force affecting the quality and values of the human race. For over 6000 years, philanthropy has funded wars, erected temples, built universities, established movements, preserved cultures and changed the course of world history.

Why do people (individuals, corporations, foundations) give?: In planning the marketing of a product or service, a business must find out what people (the market) need and how to stimulate response by meeting those needs with the product, or service. Similarly with fundraising, you must understand what produces positive response. How do people make choices among health, human rights, educational, recreational, social, environmental and other services they may need or want?

The first task is to understand how people develop their initial interest in a product or issue, and what needs or wants come into play as they decide on their response.

Motivational factors: A person's interest in a product or issue can be stimulated by internal or external factors. An internal factor consists of the person beginning to feel a need for, or readiness to do something. This factor might take the form of a physical stimulus such as hunger or thirst, or a psychological stimulus such as boredom or anxiety. An external factor consists of something for the outside coming to the person's attention and stimulating interest. This factor could be personal, such as a friend or relative, or it could be non-personal such as a magazine article, a letter or a radio program. An NPO should find out what factors stimulate a potential donor's interests in a particular issue or cause. The results will provide clues to the kind of subjects and messages that stimulate positive responses.

Basic needs: These factors have the ability to arouse a set of needs in a person. They do not create the needs but activate existing needs. So the fundraiser should understand which basic needs of the individual are served by which issue or product or program. Knowing at what need level a donor is, helps the NPO to shape an appeal for the maximum response. For instance fear is used in stimulating support for projects combating dreaded diseases.

Specific wants: People who have developed an interest in a specific issue or product are usually able to identify the specific wants that they would like to be satisfied. These wants can be discovered by asking people what they are looking for. No organization or cause can satisfy all the wants among its potential donors. But by keeping a finger on the pulse of the giving markets we are able to offer programs and solutions to problems that satisfy the donor's expectancies. While NPOs want to avoid being dictated to by their donors, they will be assured of ongoing support if the donors are satisfied that their money has been well spent on programs they feel are a priority.

With the high cost of running any fundraising program it follows that NPOs must take the time and trouble to seek out the most responsive audiences. And you need not only to hold on to the donors you have, but grow their interests in ways that will release more money from them more frequently.

Motivators for giving by individuals, corporations or foundations: Fundraising is not begging, it's helping people to help people. No matter what our exterior appearance or behaviour might be, inside is a voice that urges us to be better than we appear to be. Giving is one activity that brings out the very best in each of us. Fundraisers have the satisfaction of helping people to bring out their best. The most powerful motivator is that people give to people - they don't give to needy organizations. They don't fund a debt. They can't take on some of our world's overwhelming needs. The heart of effective fundraising is capturing people's attention and persuading them to give - over and over again. Here are some reasons donors have for supporting:

Individuals: All giving is made by individuals. Some give on behalf of a corporation, or a foundation. For most individuals it is a personal gift from their own resources:

- It makes me feel good - It is more blessed to give than receive.
- I want something in return - When I have a need I would like you to support me.
- Peer pressure - My friends and my family are giving, therefore I must give.

- I like you - I like what you and your organization are doing in the community.
- It happened to me - I want to help someone who has a need like me.
- Because you asked me - I did not know you had a need until you asked me.

Corporations: Businesses only give when they make a profit, and most giving by companies is linked to their image or their future profitability. Sometimes this is called, “Enlightened self-interest”:

- Improve the company image - The community will feel that we care for them.
- Promote my interest - We support job creation because working people are customers.
- For publicity - We want to tell our customers that we support the community.
- To avoid paying tax - We make donations to receive a tax rebate (if available).
- To stimulate our sales - More happy customers means more people buying from us.
- I like your proposal - The Project Proposal submitted meets our criteria and interests.

Foundations (or Trusts): The area that a Foundation gives money to is usually described in its founding document. This reflects the desire and interests of the original donors to the charitable Trust. The institution is usually required to dispose of a certain percentage of its annual revenue from investment.

- We have money to give - Our by-laws compel us to distribute a certain amount each year.
- Sympathy or empathy - It was out of a concern for (education) that our Foundation was founded.
- To bring about change - We believe that the money available to us can make a difference.
- Matches our interest - The founding group wanted to make sure we supported (human rights).
- We are compelled to give - It is written into our Foundation By-Laws.
- It’s a cause we believe in - It is in the national interest to support (health).

So, what is fundraising?: Fundraising is ASKING. While most people are willing to give to obvious and needy causes, only on rare occasions will people give without first being asked. No matter what the communication methods we use to convey the message of need, if this does not include an ASK, effective response will not take place.

2. Ten steps to fundraising success:

In my 30 years experience of working for and with hundreds of NPOs a consistent and effective process has emerged among those who have gained growing and sustainable funding. Apply this ten-step template to your organization and see how you rate:

1. **Start with an organization plan:** That contains the mission, long-term goals, measurable objectives and strategies. These should include a Case Statement. Plans must be reviewed, at least annually.
2. **Prepare a Fundraising Strategy:** Based on the financial needs of the organization and an analysis of the funding markets. This must include fundraising objectives, plans of action, all sources of potential income, and an income and expenditure budget.
3. **Develop a balanced Fundraising Strategy:** Plan how you will raise support for: Operating costs, Fundraising costs, Project costs, Special or Capital needs, Future funding.
4. **The governing body must be committed and involved:** Must be committed to the organization financially, and prepared to raise funds.
5. **Governing body gains the support of a fundraising group:** To assist with the fundraising work: Planning, implementing, oversight, evaluating and reporting. They should know how to use volunteers successfully.
6. **Appoint a fundraising staff person (full-time, part-time or volunteer):** Assigned to co-ordinating and running the fundraising program.
7. **Make sure that those involved in fundraising are being trained:** For the task – workshops, seminars, study, reading and inter-action.
8. **Build a broad base of support:** Identify, and analyse potential donor markets (individuals, corporations, foundations, trusts, and institutions) with the best funding potential. Establish linkage, interest and ability.
9. **Service the donors – ethics, accountability** and understanding donor needs of current donors; what satisfies them, what will attract them to give more and more often. Manage the donor base and look after your donor friends.
10. **Evaluate the fundraising program regularly:** Remove failures, make corrections and build on top of your successes.

EVALUATING PROGRESS

Based on the “Ten Steps to Success” list, **evaluate our organization’s current ability to make a success of long-term funding.** High ideal scores are given for the “people involvement” in the Fundraising program.

| | OUR SCORE | IDEAL SCORE | RATED AGAINST: |
|------------|----------------------|------------------------|--|
| 1. | | 5 | A sound long-term organization plan |
| 2. | | 5 | A prepared Case Statement |
| 3. | | 5 | Analysis of needs for at least the next 12-months |
| 4. | | 5 | Identified funding constituencies or sources |
| 5. | | 5 | A history of broad donor support |
| 6. | | 5 | A database of prospects and donors |
| 7. | | 5 | An efficient funding record-keeping system |
| 8. | | 5 | A Fundraising expenditure budget |
| 9. | | 10 | A prepared Fundraising Strategy Plan |
| 10. | | 15 | Competent Fundraising staff/volunteers |
| 11. | | 15 | A Board Fundraising Sub-committee |
| 12. | | 20 | Involved, concerned and contributing Board members |
| | | 100 | |

(Our total)

A rating of 75 or more is considered ideal for success. You must pay attention to those areas that have scored 50% or less than the ideal.

3. Develop a Balanced Fundraising plan:

For an organization to be successful in raising support, it must understand the changing external environments in which it operates. It also needs the resources, management and controls in place to carry out its mission and meet the community needs it has identified. Funding success depends on the organization's ability to adapt to surrounding conditions, and on the ability of the organization to implement its activities successfully. In addition it must maintain a broad base of support, that will grow according to its financial needs.

In preparing a Fundraising Strategy Plan, there are a number of helpful principles and tools available to guide the process:

- The first is the need for balance in the flow of funding, that will meet today's, tomorrow's and future financial commitments.
- The second principle is to apply a mixture of funding activities in such a way that the maximum support is generated from each income source.
- The third is to give attention first to those fundraising activities that produce the best income, cost effectively.

Today we are focussing our attention on the need for a regular flow of money to pay for monthly operating costs, such as salaries, administration and rent. But it's nice to know that as we look at donor income, we have access to three sources of money that match a balance of our funding need. These are:

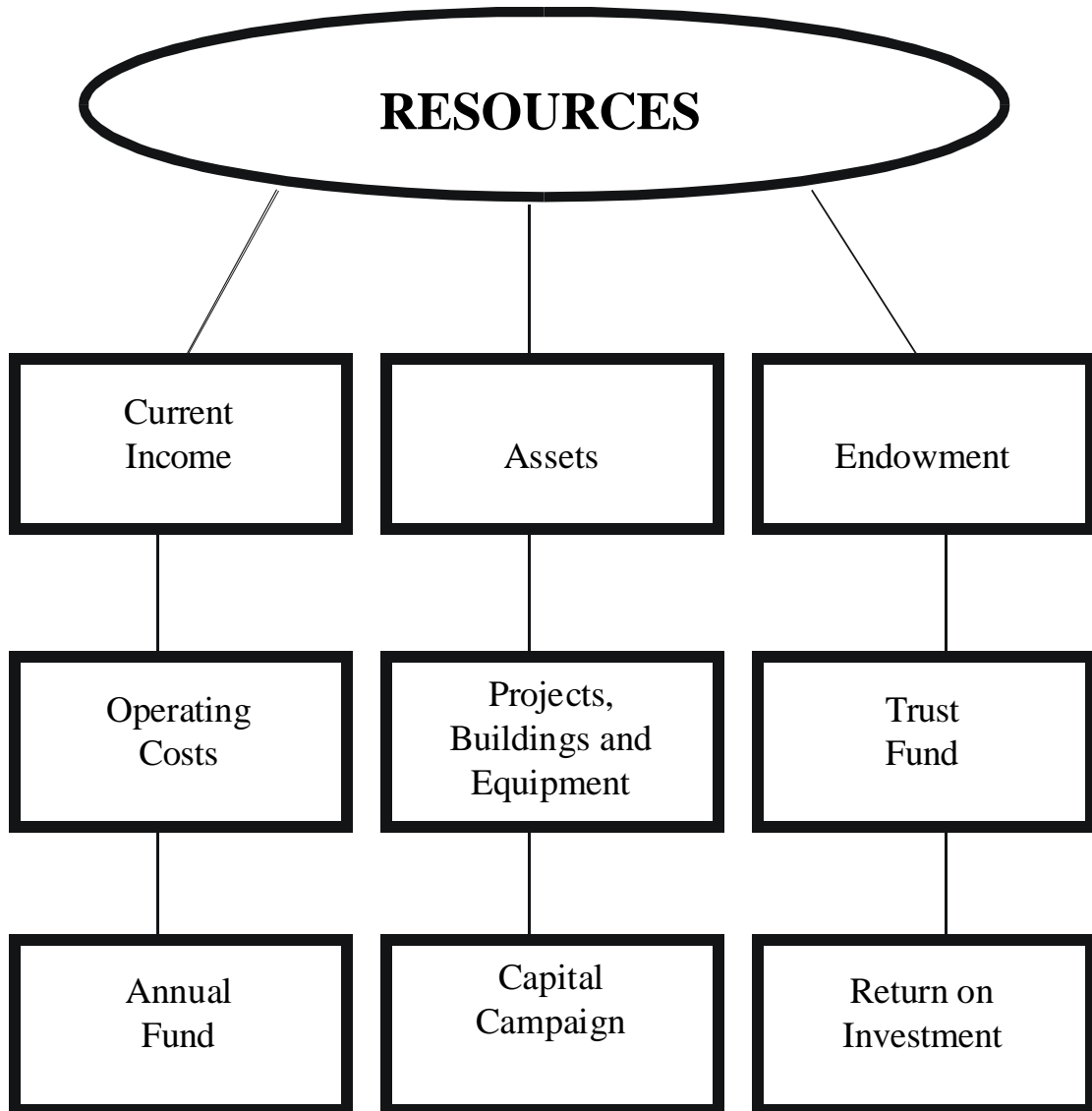
a) Current income: We have to plan ways of tapping into regular funds to meet our current operating needs. Fundraising events, bank orders/pledges, memberships, self-generated income and mail appeals are some of the ways to establish a pattern of regular income.

b) Assets: The amounts available from assets, and the timing of the donations are always unpredictable. It is therefore a mistake to rely on these sources to support operating expenses, unless the donor has agreed to designate their funds specifically for this purpose. However, at some time every organization has need of larger than average gifts, to run programs or to purchase equipment, or erect buildings.

c) Endowment: The largest gift any individual is ever likely to make, is the one left behind when he or she dies. Pension schemes, provident funds, insurance policies, unit trusts and retirement annuities are among the ways in which people save large sums of money for their old age. NPOs planning for a long life should be keen to secure sources of future funding. One way of doing this is to build up an endowment or trust fund with gifts that are bequeathed by individuals. By setting up a Trust and investing the money wisely, regular income to support operating costs can be achieved from the dividends.

"The first thing to do in any organized fundraising is to make a plan" – Harold J Seymour
"Designs for Fundraising" 1966.

A BALANCED FUNDRAISING PROGRAM



4. Choosing the methods that will produce regular funding:

Some fundraising methods take much time and effort, with little immediate results. So it makes sense, in the early life of a fundraising operation, to concentrate funding activities on those methods that produce the best results for the least effort. When asked, once, how a busy staff member or volunteer should allocate his or her time to fundraising for the best results, an experienced trainer once told participants at a workshop: “You should make sure that on any day of the week you have your most effective asker, working with your most likely prospect, for the largest sum of money.” This is a word of warning to those who would rush into expanding fundraising activities without considering what people, skills and resources they have available to be effective.

Another key to expanding your base of support is to be on the alert for opportunities to make new friends or find new funding sources. You cannot do this on your own. Keeping their ears and eyes open for potential donors and funding sources should be the responsibility of all board and staff members, and volunteers. You never know where the next funding opportunity will come from.

12 Ways to raise funds in support of Operation Costs: Your every day expenditures.

a. Direct Mail:

A direct mail appeal letter is usually sent to an individual, at a street address or post box, with a specific request for financial support for a project or person in need. This letter can be very personal because it reaches into the reader’s own environment. It can build a very emotional picture of the need in order to obtain a positive response. But the recipient is free to choose whether to respond or not. Obviously you are most likely to get positive results if the letters are sent to those who are interested in what you are appealing for in the first place.

Direct mail is also the most predictable form of fundraising. It is easy to work out the cost of one letter, and multiply that cost over the total number you plan to send. You are also able to test results by only mailing a proportion, such as 15% of the letters, and measure the response before committing yourself to the full mailing.

Two further important functions of direct mail are to: First of all build a list of individual supporters of your work over the long term. This is called donor acquisition. The second is to encourage these supporters to repeat and even increase their gifts over time.

The most important list of names is the one that you build yourself from those who are interested in the needs that your organization addresses.

b. Bank withdrawals and Pledges:

As you build up the number of individual supporters, you will find that each one behaves differently. As far as giving methods are concerned, some prefer to make cash gifts and others will give cheques. Some will give only when you ask and others will ask you not to keep nagging them. Some will give casually and others will commit themselves to regular support. For this last group it is helpful to set up a system of direct bank debits or pledges.

To find out which donors are prepared to allow you to deduct a fixed amount from their bank accounts, you must offer the choice of this giving method every time you send out an appeal. You need to know each person's bank account number, how much they are prepared to give, usually every month, and have them sign a void cheque or pledge form.

Having hundreds of people pledging even small amounts regularly is a sure way to build a secure monthly income.

c. Membership program:

Getting money from the people who need the organization, or its services and products, is the basis of many community fundraising activities. Members join because they expect benefits, whereas donors usually don't need anything in return.

Members are also prepared to give their time and talent in addition to their money. For a membership program to work well you need to know what it costs to service the members, against what they are prepared to pay. Members need to be kept informed, and they also need to be reminded when their fees are due. To do this you have to keep accurate records. All of this costs money.

Apart from supplying reliable income, your members often can be relied on to undertake volunteer tasks for the organisation. They should become your closest friends.

d. Special events:

Sooner or later every NPO finds the need to hold an event. Events are used not only to raise funds, but to raise friends for NPOs. They can also be important ways to build the image or create publicity for the organization among the communities it serves, or among its donors.

There are hundreds of different kinds of events, from "black-tie" dinners to family fun days, from raffles to educational tours. For an event to be successful you need to set an income target; try to get the costs sponsored up front; and have it planned and controlled by a committee. Most events take a lot of people time. The danger is if the NPO's staff become too involved they neglect their regular work.

e. Competitions and games-of-chance:

The raising of money by games-of-chance is full of dangers for NPOs. Competition organizers don't always produce the income they promised, or not enough tickets are sold to cover the cost of the prizes, or somebody takes the organization to court because they didn't receive their prize.

Competitions are useful ways to raise an income over the short term. But most competitions don't work over extended years because the cost of finding participants grows to become very expensive. Raffles and simple number draws are often used to add income at events such as dinners and concerts. If you use an outside organization to run a competition for you, make sure that you have a written agreement with them.

Bear in mind that competitions don't work unless most people lose. Those who continue to lose get frustrated and stop taking part. This will not build a good image or long-term support for your organization.

f. Selling products and services:

This means that you try to recover the costs of your services, or make a small profit out of selling things, in support of income. There are many ways of taking a businesslike or marketing approach to your activities. The most common is to make a charge to your clients or beneficiaries, even though this might be very small. Charging a fee for a training program, or even asking people attending a workshop to bring their own lunch is a way of recovering some costs.

NPOs who provide training or make goods such as toys or clothing can begin a profitable trading activity, and over time will make profits to support the organization's operating costs. The key here is the need to take an entrepreneurial, marketing approach, which is an unusual attitude for most NPO staff and volunteers.

g. Interest on money reserves:

Most donors are unhappy if an NPO invests their money instead of spending it on the project they support. Some even ask you to give them the interest you make when you hold their donation in your bank account for a while.

However, from time to time you will find that you have some money that is not in immediate use. Don't keep this spare money in your current account. Put into a call account (31 days), or special savings, and earn the extra interest until you need it. When you think about this you will find that it is wise to always have at least two months operating expenditure in reserve at any time.

You need to be creative with the way you handle money. Every cent extra counts these days.

h. Supporter clubs:

This is a rewarding way of attracting larger numbers of regular donors, and is similar to membership. A club, sometimes called "Friends of the NPO" is made up of those who have committed themselves to particular levels of giving.

Donor clubs provide status and benefits to their participants which are guaranteed in return for a fixed regular annual payment. To start a club you have to decide on a name, such as "The Golden Circle" or "The Inner Friends" or "The Top 100". It is also good to give a title to each level of giving, such as Bronze, Silver and Gold.

Club benefits could include a special plaque, an invitation to the organisation's annual dinner, a quarterly educational newsletter or preferential tickets to a cultural NPO's performances.

i. Advertising in the mass media:

NPOs who deal with crisis situations such as natural disasters or epidemics, find that they need to raise money quickly. However, using the public media should also be considered by any organization who is trying to build up their list of donors and friends. At the same time advertisements in the media create an awareness of the NPO and its work. This can be done by advertising in the mass media such as newspapers, radio and television. In this way many people are appealed to small to medium-size donations are received.

Placing advertisements costs money, and it is wise to use a creative agency, who will help you to write and design the advertisement at no cost. Most media charge a lower rate for “charity” advertising than they do to commercial marketers. Some of them are even prepared to donate the space or time if they have it available.

People who respond to advertisements show their interest in the subject of the appeal at the same time. Their names must be added to your mailing list, so that the next time you need support for a similar need you can send them appeal letters.

j. Collections:

The best known way for religious organisations to encourage support is to have collections. This can take place during a gathering of members and adherents or by house-to-house visits.

Another form of collections is in the street. Local governments allow NPOs to have street collections, and shopping centre managements do the same. Putting money into a plate or a collection box could be the first opportunity a person has of meeting an organisation and learning what it does. It’s also an opportunity to meet a new friend of the NPO. Like events, meeting people through the collection plate or tin, builds new friends for most NPOs.

Another interesting method of collections is tins or boxes next to the check-outs in shops. Many retailers like to be seen as supporters of good community work and allow you to place collection points on their counters. Security is a problem. To prevent the tin being stolen you will need to tie it to the counter with steel wire or a chain. The tins must be replaced regularly, and a group of volunteers could be given this responsibility. Another idea is to award the shop that raises the most money in a year, to encourage their co-operation.

k. Paying the NPO’s accounts:

Some business donors might not be willing to make a cash donation, but will make a donation in the form of a gift-in-kind, such as an item of furniture or a computer. Another method is for a business to pay an NPO’s regular account – such as telephone, or electricity or fuel costs. By adding your costs to theirs they benefit by reducing their income before tax. The NPO is relieved of a regular expense.

l. The Internet:

Fundraising on the Internet began to take off in the United States in 1996, four years after the introduction of the Internet system. This is an emerging fundraising medium, and will eventually find its permanent place among the techniques being used to raise support for Non-profits and their work wherever access to the Internet is found.

It is interesting to note, for instance, that 90% of Canadian Non-profits use computers yet only one third of them use the Internet.

How many Web sites are there on the Net? In 1995 Business Week reported that there were 27 000 sites, and that this number doubles every 53 days! This calculation was again applied in the middle of 1999, when it was estimated that over 250 billion sites were in existence – 42 sites for every living person on the planet.

Another figure being used is that in October 1994 there were 13.5 million people with access to the Internet, and this has been doubling every year since then, making it around 700 million today, or around 11% of the world's population.

The average age of an Internet user is 36. 47% have completed a college or advanced degree. The mean average household income (1998) is US\$53 000 p.a. for North America and Europe US\$48 500 p.a.. 40% of users are women, and rising. As far as occupations are concerned, 21% are in computer-related fields, 23% in education, 21 % professionals, 12% management, and 23% other occupations. 65% access the Internet from their home computers.

Fundraisers have two uses for the Internet. The first is to increase their skills by networking and gaining access to useful information resources. The second is to raise funds. The Internet started as an information-sharing tool. So the first step in using the Internet might be to learn more about fundraising. Those of little experience need to be warned that there is no guarantee to the accuracy of information online.

There are five ways in which the Internet is used to help raise funds. These are:

- Conduct prospect research
- Search for funding resources
- Visit sites that assist donors
- Use e-mail to attract and solicit support
- Create a web site to attract and solicit support

Prepared by:
David L Cuthbert, CFRE, FSAIF
23 October, 2007